

# FISCAL NOTE

**Bill #:** SB0509

**Title:** Graduated minimum payment of corporate license tax

**Primary Sponsor:** Harrington, D

**Status:** As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$0	\$0
<b>Revenue:</b>		
General Fund	\$165,000	\$458,000
<b>Net Impact on General Fund Balance:</b>	\$165,000	\$458,000

- |   |   |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact<br><input type="checkbox"/> Included in the Executive Budget<br><input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Technical Concerns<br><input checked="" type="checkbox"/> Significant Long-Term Impacts<br><input type="checkbox"/> Needs to be included in HB 2 |
|---|---|

## Fiscal Analysis

### ASSUMPTIONS:

- Under current law, C corporations filing tax returns in Montana are required to pay a minimum tax of \$50 for each subsidiary with operations in the state. (Corporations registered in the state, but with no activity in the state, are not required to pay the minimum tax.)
- Under this bill, corporations would be subject to a minimum tax that increases from \$50 to \$3,000 with the amount of sales reported in Montana, as shown in the schedule below.

<u>Montana Sales</u>		<u>Minimum Tax</u>
less than	\$1 million	\$50
\$1 million to	\$5 million	\$100
\$5 million to	\$10 million	\$250
\$10 million to	\$25 million	\$500
\$25 million to	\$50 million	\$1,000
\$50 million to	\$100 million	\$2,000
more than	\$100 million	\$3,000

## Fiscal Note Request SB0509, As Introduced

(continued)

3. For the purposes of this fiscal note, C corporations doing business in Montana are classified into two groups. "Domestic" corporations are defined as those corporations whose operations (sales, payroll, property, etc.) are conducted entirely within the state. "Multi-state" or "apportioned" corporations are those corporations with operations both inside and outside of the state.
4. Currently, only apportioned corporations are required to report the amount of Montana sales when filing tax returns. Over the period 1996 – 2002, apportioned corporations consistently comprised 25% of the total number of corporations filing in Montana, and domestic corporations comprised the remaining 75% of all corporations filing. Hence, the only information available upon which to base a fiscal impact for this bill comes from data on apportioned corporations.
5. Corporations with less than \$1 million in sales would continue to pay the current law \$50 minimum tax. Over the period 1996 – 2002, just over 70% of all apportioned corporations operating in Montana reported Montana sales of less than \$1 million. In other words, just 30% of apportioned corporations would pay a minimum tax greater than the current law minimum under this bill.
6. Based on an analysis of the distribution of apportioned corporations by Montana sales, by year, for the period 1996 – 2002, it is estimated that apportioned corporations would pay a total of \$229,000 a year in additional minimum taxes under this bill.
7. Since there is no information on Montana sales of domestic corporations, there is no means by which to accurately estimate the impact of this bill on these corporations. As stated above, these corporations comprise 75% of all corporations filing in Montana, but are likely to be smaller on average with respect to Montana sales than apportioned corporations. For the purposes of this fiscal note, it is assumed that the total increase in corporate tax liability from this bill is twice the amount of the increase for apportioned corporations, or \$458,000.
8. This bill is effective for tax years beginning after December 31, 2004 (tax year 2005). About 36% of corporations file tax returns within the first 6 months following the close of any given calendar year for that calendar year. It is estimated that the impact of this bill in FY 2006 is 36% of the total annualized amount of \$458,000, or about \$165,000. The impact in FY 2007 is the full annualized amount of \$458,000.
9. There are no administrative impacts to the Department of Revenue associated with this bill.

### FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$165,000	\$458,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$165,000	\$458,000

### EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

### LONG-RANGE IMPACTS:

State general fund revenues will increase by about \$458,000 each year in future years.